



Southwest Indiana aims to be home to large natural gas plant

(October 27) Governor Mitch Daniels announced there are plans to build a \$1.5 billion coal gasification plant that would be the first in the country to make pipeline quality natural gas from eastern coal. Several sites are being considered, and the governor said all of them are in the southwest corner of the state. [Read the news release.](#)

Governor's Update

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Governor, IEDC, Techpoint set plans for "Indiana Entrepreneurship Week"

(October 26) Working with partners from across the state, Governor Mitch Daniels, the Indiana Economic Development Corporation (IEDC) and Techpoint have designated October 30 through November 3 as "Entrepreneurship Week" and will use the week to celebrate entrepreneurship in Indiana and encourage the next generation of Hoosier entrepreneurs to build their next business in Indiana. [Read the news release.](#)

Northstar Aerospace to open new manufacturing facility in Anderson, company to create 40 new jobs

(October 24) Governor Mitch Daniels and Anderson Mayor Kevin Smith joined executives from Northstar Aerospace Inc. (www.nsacro.com), North America's leading independent manufacturer of flight critical gears and transmissions, to announce the opening of the company's new manufacturing facility in Anderson, Ind. and the creation of 40 new jobs. [Read the news release.](#)

Help Thy Neighbor program begins second year; energy assistance eligibility extended

(October 18) More Hoosiers will receive help with winter heating fuel costs this winter from the state's Energy Assistance Program and Governor Mitch Daniels' Help Thy Neighbor Heating Fund. For the second straight year, energy assistance eligibility will be extended to include families whose incomes are at or below a level of 150 percent of the official poverty line. [Read the news release.](#) Click [here](#) to listen to audio of the Governor announcing Help Thy Neighbor program.

Governor welcomes 55,000 visitors to 79th National FFA Convention

(October 26) Governor Daniels received the Honorary American Degree at the 79th National FFA Convention. The governor made welcoming remarks at the third opening session of the FFA Convention and later joined U.S. Secretary of Agriculture Mike Johanns and U.S. Environmental Protection Agency Administrator Stephen L. Johnson for the kickoff of SmartWay Grow & Go, the EPA's program to promote the environmental benefit of renewable fuels.



Governor meets with 2006-2007 Indiana FFA State Officers. Pictured from left: Desiray Simmons, Kim Hoeing, Rob Hayes, Morgan Emery, Laura Bradford, Elise Brown, Tyler Tenbarge.

Coal-To-Gas Plant Planned In Indiana

THE ENERGY DAILY BY CHRIS HOLLY

October 30, 2006

In another sign of investor interest in coal gasification technology, Indiana Gov. Mitch Daniels announced Friday that a developer has proposed building a \$1.5 billion coal gasification plant in southern Indiana that Daniels said would be the first in the nation to make pipeline quality synthetic natural gas from eastern coal.

The proposed project is being developed by Indiana Gasification LLC, incorporated in Delaware August 16 by Leucadia National Corp. a New York-based holding company whose businesses include manufacturing, health care services, telecommunications, real estate, winery and residual banking and lending activities.

While Indiana Gasification has not selected a site for the plant, it is considering several locations in the southwestern corner of Indiana, where all of the state's high-rank bituminous coal reserves are found.

Daniels (R), in a statement released by his office, said the facility would produce 40 billion cubic feet of gas annually, enough to supply 15 to 20 percent of Indiana's residential and commercial gas demand.

Indiana Gasification and Indiana's three largest natural gas utilities—Vectren Corp., Northern Indiana Public Service Co. (NIPSCO) and Citizens Gas—have signed a letter of intent for 30-year supply contracts representing roughly two-thirds of the synthetic gas produced by the plant. The remainder would be purchased by NIPSCO to fuel electric generation in its service territory to meet seasonal demand.

Daniels added that the developer and the three utilities, which provide 80 percent of Indiana's residential and commercial supply, have agreed to allow any of the smaller commercial and municipal gas utilities in the state to participate in the transaction on the same terms they have negotiated. The project also is negotiating with several Indiana coal producers for a long-term coal-supply contract.

The project will use GE Energy's gasification technology, one of the leading technologies used in integrated gasification combined cycle power plants that boast extremely low emissions of sulfur dioxide, nitrogen oxides and mercury. The facility also will be "carbon-capture ready," which will allow emissions of carbon dioxide, the main greenhouse gas, to be captured and sequestered.

Indiana Gasification is working with E3 Gasification LLC, whose president, William Rosenberg, served as Environmental Protection Agency assistant administrator for air and radiation under former President George H.W. Bush. In addition Johnston Development Co., a Washington, D.C., lobbying group founded by former Sen. J. Bennett Johnston (D-La.), is providing lobbying and other services for the project.

Rosenberg, currently a Senior Fellow at the Harvard University Kennedy School of Government, in 2004 proposed an innovative scheme for stimulating deployment of coal gasification projects that called for developers to contribute 20 percent of the project equity, for the federal government to provide loan guarantees of up to 80 percent of the project's total cost and for state utility commissions to approve in advance utility purchase agreements for the synthetic gas.

The proposal, known as the Three-Party Covenant, formed the basis for loan guarantee provisions in the 2005 Energy Policy Act (EPACT) for innovative energy projects that reduce carbon dioxide (CO₂) emissions. Environmentalists opposed the loan guarantees because the 2005 law does not require the recipients to immediately capture and store their CO₂ emissions.

The developer and the three gas utilities filed a joint petition with the Indiana Utility Regulatory Commission Friday seeking approval of the gas contracts, and Indiana Gasification plans to file an application with the Energy Department later this year to obtain an EPACT loan guarantee for \$1.3 billion of the project's debt.

Coincidentally, the Energy Department Friday announced it is extending the deadline for applying for EPACT loan guarantees for coal gasification and other projects from November 6 to December 31.

The extension appeared to irritate Senate Energy and Natural Resources Committee Chairman Pete Domenici (R-N.M.) and Sen. Jeff Bingaman (N.M.), senior Democrat on the energy panel, who issued a joint statement Friday expressing "frustration" that the extension would delay final awards under the loan guarantee program.

The project's financial plan calls for selling the synthetic gas at around \$6 per thousand cubic feet, well below the current wholesale gas price and even lower than Energy Information Administration projections for the next 20 years. A recent analysis by Carnegie-Mellon University concluded that at that price range, the project would save Indiana consumers more than \$3.7 billion over the next 30 years.

DOE and the Office of Management and Budget (OMB) have clashed over the extent of the loan guarantee program, with OMB interpreting the EPACT language to mean the federal government would guarantee 80 percent of a project's debt, rather than its cost. DOE and key members of the Senate energy panel assert the loan guarantee should cover 80 percent of a project's cost.

In addition, a source said Friday that the structure of the DOE program may make it difficult for Indiana Gasification to receive as much federal backing as it wants. This source complained that the program's \$2 billion cap is not designed to accommodate a large, relatively low-risk project such as the Indiana Gasification project.